INFORMATION BULLETIN

January 13, 2012 **2012-1**

LIMITS GOVERNING THE DEDUCTIBILITY OF AUTOMOBILE EXPENSES AND RATES FOR BENEFITS RELATING TO THE USE OF AN AUTOMOBILE FOR 2012

On December 29, 2011, the Minister of Finance of Canada announced, in a news release,[1] changes to certain limits governing the deductibility of automobile expenses and to the rates applicable to the calculation of the value of the taxable benefits relating to the use of an automobile for 2012.

In this regard, in keeping with the principle of substantial harmonization of tax legislation regarding automobiles, the various limits and rates governing the deductibility of automobile expenses and the calculation of the value of the taxable benefits relating to the use of an automobile contained in Québec's tax legislation and regulations will be the same as those applicable in the federal tax system. These limits and rates are described in the appendix.

For information concerning this information bulletin, contact the secteur du droit fiscal et de la fiscalité at 418 691-2236.

The French and English versions of this bulletin are available on the ministère des Finances website at : www.finances.gouv.qc.ca.

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1 DEPARTMENT OF FINANCE CANADA, *News Release 2011-146: Government announces 2012 automobile deduction limits and expense benefit rates for business*, www.fin.gc.ca/n11/11-146-eng.asp.

Appendix

Limits governing the deductibility of automobile expenses and rates for benefits relating to the use of an automobile

Automobile expenses or value of certain taxable benefits	Limit or rate
Amount deductible from allowances paid by an employer to an employee according to distance travelled with his automobile:	
- first 5 000 kilometres	As of January 1, 2012, the limit will rise from $0.52/km to $0.53/km.[1]
- additional kilometres	As of January 1, 2012, the limit will rise from $0.46/km to $0.47/km.[1]
Value of the benefit relating to operating expenses of an automobile that an employee uses for personal purposes where the automobile is supplied by his employer:	
- if the job consists mainly in selling or renting automobiles during the taxation year	As of January 1, 2012, the rate will rise from $0.21/km to $0.23/km.
- in other cases	As of January 1, 2012, the rate will rise from $0.24/km to $0.26/km.
Maximum capital cost of passenger vehicles for the purposes of the deduction for depreciation	For vehicles acquired after 2011, the maximum capital cost will remain at $30 000.[2]
Interest expenses eligible as a deduction	For vehicles acquired after 2011, the limit will remain at $300/month.
Leasing charges eligible as a deduction	For leases concluded after 2011, the limit will remain at $800/month.[2]

1 The limit will continue to be 4 cents higher per kilometre in Yukon, in the Northwest Territories and in Nunavut, to reflect the higher cost of maintaining and operating a vehicle in those territories. Accordingly, it will rise to $0.57 for the first 5 000 kilometres and to $0.51 for additional kilometres.

2 Before applicable sales taxes.